

DAVY GLOBAL BRANDS FUND

FROM
IRISH LIFE

Q3 2018 UPDATE

This fund is provided by Irish Life Assurance plc and is managed by Davy Asset Management.

PERFORMANCE	1 MONTH (%)	Q3 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY GLOBAL BRANDS FUND (NET OF FEES)	0.2	2.8	8.0	7.6	10.1
MSCI WORLD INDEX	0.7	5.5	13.2	12.0	12.5

Source: Irish Life Investment Managers Ltd. (Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 28th September, 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy.

FUND OVERVIEW

The aim of the **Davy Global Brands Fund** (the 'Fund') is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

FUND PERFORMANCE

The Fund returned 2.8% in 3Q18 compared with the MSCI World Index return of 5.5%. The Fund underperformed the MSCI World Index by 2.7% in the 3Q18 and by 0.5% in September. Over the last 12 months the Fund underperformed the Index by 5.2%, returning 8.0% compared to the MSCI World Index return of 13.2%.

Stock Selection contributed negatively to performance during 3Q18. Significant contributors and detractors to performance during the quarter were **Royal Caribbean** (+0.5%), **Starbucks** (+0.3%), **Amazon** (-0.6%) and **Newell Brands** (-0.5%). Royal Caribbean reported strong 2Q18 results and announced the acquisition of Silversea Cruises to expand its presence in the luxury segment of the market. Starbucks management responded to recent sales weakness by announcing a new partnership with Nestle in packaged coffee and by announcing a new delivery partnership with Alibaba in China. Amazon scores poorly on our proprietary QUALITY model which ranks the company in the 6th decile due to low profitability and returns. Newell Brands is currently undergoing a rationalisation of its product portfolio which we believe will ultimately result in a more streamlined, higher growth and higher margin business. However, the company revised down full year EPS guidance as cash raised through the disposal program is being used for debt paydown rather than share buybacks initially.

Asset Allocation had a negative impact on relative performance during the quarter. The performance was driven by our overweight positions in Consumer Staples (-0.5%) and Consumer Discretionary (-0.1%) and underweight position in Healthcare (-0.5%), partially offset by underweight positions in Energy (+0.3%), Materials (+0.3%), Financials (+0.2%) and Real Estate (+0.2%).

SAMPLE PORTFOLIO TRANSACTIONS

The Fund was active during the quarter adding a new position in IQVIA, adding to existing positions in Alibaba, Brown-Forman and Informa while reducing exposure to UPS and Royal Caribbean.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to owning high quality companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

CALENDAR YEAR PERFORMANCE	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Davy Global Brands Fund (Net of fees)	9.3	1.0	16.9	14.5	16.0
MSCI World Index	7.5	10.7	10.4	19.5	21.2
Royal Caribbean Cruises Ltd.	48.2	(17.1)	24.7	76.9	42.1
Starbucks	5.4	(6.1)	48.2	6.2	48.1
Amazon	55.9	10.9	117.8	(22.7)	59.0
Newell Brands Inc	(29.4)	3.0	17.9	19.9	48.9

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WARNING: Past performance is not a reliable guide to future performance.

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